

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

July 15, 2008

Docket No. 080148-EI – Petition for determination of need for Levy Units 1 and 2 nuclear power plants, by Progress Energy Florida, Inc.

Issue 1: Is there a need for the proposed generating units, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519(4), Florida Statutes?

Recommendation: Yes. PEF has demonstrated a capacity need by 2016 in order to maintain system reliability and integrity based on a 20 percent reserve margin criteria. The addition of Levy Units 1 and 2 is projected to satisfy PEF's capacity needs through 2023.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of majority commissioners on a set of four horizontal lines.

Four horizontal lines for dissenting signatures, currently blank.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

06072 JUL 15 8

FPSC-COMMISSION CLERK

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**Issue 2:** Is there a need for the proposed generating units, taking into account the need for fuel diversity, as this criterion is used in Section 403.519(4), Florida Statutes?

**Recommendation:** Yes. If natural gas generation alternatives were to be added to PEF's system, as opposed to Levy Units 1 and 2, PEF would rely on natural gas and fuel oil for more than 50 percent of its energy generation. The addition of Levy Units 1 and 2 would allow PEF to maintain a diverse fuel mix and reduce Florida's dependence on natural gas and fuel oil, thus shielding ratepayers from price volatility and enhancing its system reliability. The addition of Levy Units 1 and 2 would also provide a significant source of non-carbon emitting base load generation.

**APPROVED**

**Issue 3:** Is there a need for the proposed generating units, taking into account the need for base-load generating capacity, as this criterion is used in Section 403.519(4), Florida Statutes?

**Recommendation:** Yes. Levy Units 1 and 2 are intended to help meet PEF's growing need for additional base-load capacity. By 2015, PEF will have approximately 3,070 MW of existing or certified generation capacity which operates at a capacity factor of 80 percent or greater which is typical for a base-load generation unit. PEF's base-load needs are projected to increase to approximately 5,000 MW by the year 2015. The addition 2,200 MW from Levy Units 1 and 2, both projected to operate at a 90 percent capacity factor, will satisfy this projected growth ( $3,070+2,200=5,270$  MW).

**APPROVED**

**Issue 4:** Is there a need for the proposed generating units, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519(4), Florida Statutes?

**Recommendation:** Yes. The cost estimates presented for capital costs, fuel costs, emission costs, water, and waste disposal appear reasonable at this time. PEF's projected performance specifications also appear to be reasonable. The effect of these cost assumptions on the overall economics and rate impacts of the proposed Levy Units 1 and 2 are discussed in greater detail in Issue 6. As the environmental price forecasts are based upon on-going federal CO<sub>2</sub> legislation, PEF should provide updated cost information as part of its annual feasibility report.

**APPROVED**

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**Issue 5:** Are there any renewable energy sources and technologies or conservation measures taken by or reasonably available to Progress Energy Florida, Inc. which might mitigate the need for the proposed generating units?

**Recommendation:** No. Since 1981, PEF's demand side management (DSM) programs have reduced total demand over 1,500 MW. PEF has over 173 MW of renewable power from purchased power contracts. Even after considering all existing and additional DSM and renewable resources available for the foreseeable future, PEF still has a need for Levy Units 1 and 2. No additional cost-effective DSM or renewable resources have been identified that would mitigate the need for the proposed generating units.

**APPROVED**

**Issue 6:** Will the proposed generating units provide the most cost-effective source of power, as this criterion is used in Section 403.519(4), Florida Statutes?

**Recommendation:** Yes. Despite high capital costs, the relatively low fuel costs associated with Levy Units 1 and 2 provide an economic advantage when compared to a natural gas generation alternative. When potential environmental compliance costs are considered, nuclear generation becomes even more cost-effective. In order to satisfy its obligation to prudently manage its resources, PEF should continue to negotiate with other utilities regarding joint ownership. PEF should be required to provide updates regarding discussions pertaining to joint ownership during its annual nuclear cost recovery proceedings.

**APPROVED**

**Issue 7:** Based on the resolution of the foregoing issues, should the Commission grant Progress Energy Florida, Inc.'s petition to determine the need for the proposed generating units?

**Recommendation:** Yes.

**APPROVED**

**Issue 8:** Should this docket be closed?

**Recommendation:** The docket should be closed after the time for filing an appeal has run.

**APPROVED**